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THE WIMAN--EDGAR LETTERS;

A SERIES OF OPEN LETTERS BETWEEN MR. J. D. EDGAR, M. P., TORONTO,
AND MR. ERASTUS WIMAN, NEW YORK.

UNRESTRICTED RECIPROCITY

AS DISTINGUISHED FROM

COMMERCIAL UNION.

FIRST LETTER—MR. EDGAR TO MR. WIMAN.

If frontier Customs Houses swept away uniform tariffs necessary—This objectionable to both countries—Under Elgin Treaty no uniform tariff, but free trade in natural products—Draft treaty of 1874 abolished no Customs Houses, but admitted both natural products and manufactures free—Standing proposals to France and Spain to same effect—Complete reciprocity feasible without uniform tariffs—Customs officials would be busy passing entries of free goods.

ERASTUS WIMAN, Esq., New York :

DEAR SIR,—You requested me to give you my views upon any point which might occur to me, arising out of the discussion upon Commercial Union. There is, I fear, considerable confusion of ideas as to one important aspect of the question, and to this I will now allude

The advocates of Commercial Union have made frequent use of an expression which has been seized upon by opponents as disclosing a fatal objection to the scheme. We are often told that Unrestricted Reciprocity would “sweep away all the Custom Houses upon the frontier.” If that were to be done it seems clear, for several reasons, that we would have to agree upon a uniform Customs tariff with the United States against the rest of the world. In other words, the entire tariff legislation of both countries would be brought to a standstill during the duration of the treaty, and it is scarcely conceivable that either Canada or the United States could arrive at a satisfactory uniform tariff to last for that period.

When we had Reciprocity before, under the Elgin Treaty of 1854, the Customs Houses were not abolished, nor did we abandon our right to regulate our tariff in respect to all other countries as to the articles

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included in the treaty. Certain articles being the growth and produce of the United States were passed through our Custom Houses free of duty, and if they were not shown to be the growth or produce of the United States, they would not have been free.

In the George Brown Draft Reciprocity Treaty of 1874, it was proposed to admit a long list of articles, not only the growth and produce, but also the *manufacture* of the United States, free of duty. Yet it was not suggested that the Custom Houses should be abolished, nor that we should be in any respects tied down in our tariff legislation outside of the terms of the treaty. We know that there are many goods under our present tariff which only come in free when they are shown to have been brought from a certain country, or to be intended for a special purpose, while other goods of the same class are taxed. In our Customs law it is provided that when France or Spain make changes in their tariff favorable to Canada, it will be competent to us to throw off the duty on wines imported from those countries. Our tariff against all other countries will remain as before, and proofs will be required from the importer that the articles come from France or Spain.

It does seem to me perfectly clear that a complete system of reciprocity of tariffs between Canada and the United States can be carried out without abolishing our Customs Houses, or tying our hands as to tariff legislation in any other respect.

The Customs House officials might have their hands full in looking after the entries of free goods, but we pay them excellent salaries ; and if it be for the general good of the country I fail to see why they should not do the extra work. It is reasonably expected that a remission of duties would largely increase the volume of trade, and even if that should entail upon the country the task of providing a few extra officials to pass the entries of free goods I am sure the increased outlay would be justified by the results.

Yours truly,

J. D. EDGAR.

Toronto, Nov. 14, 1887.

SECOND LETTER—MR. EDGAR TO MR. WIMAN.

Unrestricted reciprocity without uniform tariffs—Mr. Chamberlain objects to uniform tariffs—Serious difficulties in the way—Under Elgin Treaty free trade but not uniform tariffs—Same under George Brown draft—If Customs Houses maintained, uniform tariffs not required—Foreign goods would pay duties, goods on the free list between the two countries would pass free—Free list might be unlimited—Example of "salt" now taxed from one country and free from another—Fraudulent entries possible then as now—England's free importations have all to be passed through Customs—Unrestricted reciprocity to be had by enlarging free list—Canadian trade interests should prevail over British in this case.

TORONTO, Nov. 21st, 1887.

ERASTUS WIMAN, Esq., New York :

DEAR SIR,—In my letter to you of 14th inst., I pointed out the great and unnecessary danger which threatened the movement for Unrestricted Reciprocity, by identifying it too closely with a uniform tariff for the United States and Canada, and the warning was apparently not given too soon. Mr. Chamberlain, at his interview with the press in Washington on the 18th inst., is reported to have stated that "the most important reason why the project of Commercial Union could not be successfully inaugurated was the fact that the Tariff Acts of the two countries do not agree, and that it would be difficult to devise a plan which could meet this objection."

It is useless to deny that there are both practical and sentimental difficulties in the way of establishing a uniform tariff for the two countries against the rest of the world, and of maintaining this uniformity during the life of a reciprocity treaty. I suppose these difficulties are not insuperable, yet they are so serious that I do not desire to see the prospect of Free Trade with the United States embarrassed by them.

In my former letter I referred to the fact that under the Elgin Treaty of 1854, we had a fair amount of Free Trade with the United States without adopting their Customs duties. Our Customs-houses were not abolished on the frontier. Certain articles, the produce of both countries, were mutually admitted free of duty, and were entered and passed through the Customs-houses as free goods. In 1874 the George Brown draft treaty, which was provisionally sanctioned by the American Government, proposed a much larger free list between the two countries, and embraced a number of manufactures. There was, however, in it no proposal to abolish Customs-houses nor to legislate for uniform tariffs.

Why has it been supposed that a uniform tariff was indispensable? For no other reason in the world except because it has been suggested

that, abolition of all frontier Customs-houses is an essential part of Free Trade with the United States. If the international Customs houses are removed it would be, as in 1867, when Nova Scotia, New Brunswick and Old Canada removed their inter-provincial Customs-houses. Their separate tariffs were abandoned, and the existing uniform Customs duties were adopted. It is therefore plain that if complete Reciprocity does not involve the abolition of frontier Customs-houses, neither does it involve a uniformity of tariffs.

I freely admit that, in itself, the sweeping away of frontier Customs-houses would be a saving of money, and would increase the facility of trading between the two countries; but there are many more difficulties in the way of doing so, than we need to import into the discussion of enlarged Reciprocity.

If we maintain an independent tariff against the rest of the world, outside of the American Union of States, we will require the frontier Customs-houses to collect duties upon the large quantities of foreign goods that reach Canada through the United States, in bond or otherwise. All articles made free between the two countries would be entered by the importer at some Customs-house as free, and passed without duty. What practical difficulty is there in that plan?

If a treaty be made, even as wide as Mr. Butterworth's Bill, and if "all articles of whatever name or nature produced in the two countries respectively" be mutually admitted free of duty, there is nothing to prevent the importer of these articles making the ordinary oath, when he takes his papers to the Customs-house, to swear that they are produced in the United States, and they will come in free.

To give an illustration as to the working of such a system, let us take the article of imported "salt" under our present tariff. There is a duty of 8c. per 100 lbs. upon salt in bulk, and 12c. when in packages, unless the importer can show that it is imported from the United Kingdom, or other British possession, or for the use of sea or gulf fisheries. If these facts are shown by affidavit, the Customs officer will pass the salt in free of duty. Our free list is full of articles that are only free when special facts regarding them are proved before the Customs collector, just as under Reciprocity with the United States a long list of articles would be free, when the fact of their production in the United States was proved.

Fraudulent entries might be made of such goods, just as fraudulent entries are often made to avoid duties under our present tariff.

The penalties for breach of the law are very severe, and would continue to be enforced at least as well as they are now.

England offers free trade to the world except as to a few articles, yet everything that she imports free has to be passed through her customs. We have a considerable free list yet, ourselves, and so has the United States; but importers of these articles have all to show grounds for their free admission before passing the frontier.

It is impossible for any one to deny that it is perfectly open for the commission, now sitting at Washington, to propose an increase of the Free List between the two countries to an unlimited extent. A sound and ample precedent for this exists in the Elgin Treaty. It is only a question of degree, and they can give us Unrestricted Reciprocity by simply enlarging the Free List.

It is true that it is hopeless for us to expect Reciprocity with the United States, which will not involve a certain amount of discrimination against Britain. In this vital matter Canadian interests may be thwarted by Mr. Chamberlain, who represents England and not Canada, the trade interests of Birmingham, Liverpool and Manchester, and not the farmers or lumbermen of Canada. For that reason the negotiation of this Treaty should never have been entrusted to an envoy of Downing street. What an opportunity there is to-day for the assertion at Washington of the national rights and dignity of Canada! There is one Canadian statesman, whom our people could have trusted, had he been a member of the Commission, for Edward Blake has before now borne himself erect in a struggle for our rights, when face to face with the Imperial Ministers.

Let us hope that the Washington Commission of 1887 will not mark a practical abandonment of the rights which Canada asserted to make her own commercial arrangements with the United States, when she sent Hon George Brown there to negotiate in 1874.

Yours truly,

J. D. EDGAR.

THIRD LETTER—MR. WIMAN TO MR. EDGAR.

Grateful for unrestricted reciprocity if Commercial Union not attainable—Three plans of trade alliance with U. S. defined—Old Reciprocity Treaty of 1854 desirable, but hopeless—Unrestricted Reciprocity would achieve all the desired results—Avoids objections to uniformity of tariffs—Commercial Union obtainable by mutual legislation—Proposal may come from Congress.

NEW YORK NOV. 26th, 1887.

J. D. EDGAR, ESQ., M.P., Toronto, Ontario :

MY DEAR SIR,—In the two open letters which you have done me the honor of addressing to me through the public prints, you discuss a plan of Unrestricted Reciprocity between the United States and Canada, which, while it meets the objection of Americans to the old treaty (whereby natural products only were freely exchanged), yet does not go to the length of Commercial Union, under which the two countries would be commercially united, and the customs line between them completely abolished. I would rejoice most heartily with you if some measure of international character could be made practical, regarding which there would be no difference of opinion in Canada ; for personally, while laboring hard to accomplish the broadest results in the shape of enlarged commercial relations with the United States, I would be profoundly grateful for the achievement of the lesser result, so long as these relations were improved, and Canada obtained the benefit of a market for her vast products, so valuable and so contiguous.

To make plain the three ways in which the advantage of a trade alliance with the United States might be obtained by the people of Canada, they may be enumerated as follows :

- 1.—The re-enactment of the Limited Reciprocity Treaty of 1854, for the exchange of natural products only.
- 2.—Unrestricted reciprocity for the exchange of natural products and manufactures by means of a free list, and the maintenance of Custom Houses.
- 3.—Commercial Union, with a complete interchange of every article whether natural, manufactured, or improved, implying the abolition of the custom houses between the two countries, a uniform tariff and internal revenue schedule, resulting in a trade relation between the two countries as intimate as that which now exists between the Provinces or between the States themselves.

Now, so far as I understand the matter, any one of these conces-

sions would abundantly satisfy Canada ; and if the first and least sweeping of the proposals could be effected, there would be little, if any, desire to go further by even the most ardent advocate of Commercial Union. There is an almost universal agreement that the re-enactment of the Old Reciprocity Treaty would be most beneficial, and if that could be effected, the wide difference of opinion prevailing in Canada on the subject of trade relations with the United States, would almost disappear. But long ago, to those who know the feeling prevailing in the United States, it became evident that there was literally no hope whatever of a renewal of the Old Reciprocity Treaty. If there was any one thing in which Americans possessed any sentiment whatever regarding Canada, it was that this treaty was a one-sided bargain, and that its revival ought not to be permitted. If two parties are essential to a bargain, and one is utterly unwilling to trade, it is useless to discuss the proposal. Therefore, the first plan in the above enumerated list seems out of question, and may be relegated to those safe regions where tenderfooted politicians love to roam ; if the discussion of this plan affords them safe ground for advocacy, it does no particular harm, and certainly does no good.

The second plan of unrestricted reciprocity to which in your letters you refer, would be a most admirable arrangement, and next to the Old Reciprocity Treaty, would be most acceptable throughout Canada. It is, as you say, an extension of the plan as laid down in the treaty of 1874, urged by General Grant on the part of the United States, and by the Hon. George Brown, on the part of Canada. Had this negotiation been successful, no act in General Grant's administration would have paralleled it in importance and beneficial results to the United States ; while its consummation, as the result of Mr. Brown's efforts, would have added a lustre to a name already famous in Canada, and that would have been international in its scope. But the treaty was not accepted by the Senate of the United States, and largely, I believe, because of the unfortunate period in the session at which it came before them. It was in June, 1874, after a most exciting session, in which very little legislation had been accomplished, with some six or seven thousand measures still pending, the weather extremely hot, and in view of other adverse circumstances, the question was never really reached, much less passed upon. After the lapse of thirteen years, and an enormous growth in manufacturing energies, the question now, is whether the United States would agree to this proposition or not. I

am inclined to believe that they would do so, but only on the condition that the Canadian Government could be prevailed upon to make the proposal on some basis so as to include, not only natural products, but *all* articles manufactured in the United States. So far as manufacturing influences are concerned, I believe this would answer the purpose, in view of those who are advocating Commercial Union in this country, for it would beget an open market for the products of their factories, and an open source of supply in Canada for raw material. Indeed, almost everything that Commercial Union in its fullest sense could accomplish, would be achieved by this plan. It would meet the objections which are urged against Commercial Union in that the uniform tariff and pooling receipts would be unnecessary, and a complete control retained of the fiscal policy of the country, which, it is urged, could not be had under Commercial Union in its fullest sense. But you will understand that Unrestricted Reciprocity can only be got by its being asked for by the Government of Canada. It is in vain that they ask for reciprocity in natural products, but it might not be in vain did they seek, in addition to these products, a perfect exchange of manufactures. Of course this would lead to a discrimination against English products, and it is perhaps because of this, and their adhesion to the National Policy, that the Government may find it difficult to reach a conclusion favorable to so broad a proposal. But if they would only listen to the voice of the majority of the people of Canada, and if they will consider the vast benefits that would come to the Dominion by giving effect to such a proposition, they will hasten to make it.

As to the third plan laid down in the above enumeration—that of Commercial Union in its completeness,—you must understand that it is simply a proposal of the Americans themselves, as foreshadowed in the Butterworth Bill. This bill was the natural reaction from the retaliatory measure of the last Congress, and resulted largely from sentiments expressed of a desire, even on the part of those that were most bitter, for a permanent and enlarged commercial relation with Canada. It is, I believe, the intention of the large and influential party in Congress in favor of this bill, to press it this session, and if it should pass, it would be a legislative act of the highest importance to Canada. It has been discovered that no treaty was necessary for the regulation of the mutual tariffs; and that if the Butterworth Bill, as enlarged and amended, should become the law of the United States, it would be difficult to see how any government in Canada could resist

the demand of the people, through its Parliament, to meet it by appropriate legislation, and make effective a union between the two countries on a commercial basis as broad and as liberal as that which now prevails between all the States, or all the Provinces. The advantages which would result from this trade union it is difficult to over-estimate, and the consequences are perhaps more far-reaching than those of any other event, in the whole category of events, possible on the continent of North America.

The conclusion, therefore, is, that while the first plan in the foregoing list—the old reciprocity treaty—is impossible, the second, that of unrestricted reciprocity, is possible only by the early and prompt action of the Canadian Government, speaking on behalf of the people, and making at once the necessary propositions, which, from the knowledge of the fact, I believe could be promptly carried through, in view of the agitation and interest which has been excited in the question here. But if no such action is taken by the representatives of the Canadian Government, it is impossible to conceive that the American Congress could be induced to initiate a move of this limited character. The attractions of the larger proposal, included in Commercial Union in its fullest sense, can be very plainly set forth, to the average American statesman, and as that is practically the measure now before Congress, it is useless to talk of anything less liberal in its scope, unless it is a compromise proposed by the Government of Canada to the Executive of the United States in full settlement of the fishery dispute.

The result of some thought on the subject to my own mind is, therefore, that the responsibility for obtaining Unrestricted Reciprocity at the present moment rests upon the Government of Canada ; that failure in assuming that duty will result in an offer of Commercial Union to its fullest extent by the Congress of the United States, in the passage of the Butterworth Bill. Whether or not such a result will be achieved this session it is possible to foresee, but the signs all point in this direction ; for the readjustment of the tariff, the peculiar condition of the Protectionists and Free Trade Party, and other circumstances make the present a most auspicious opportunity for the passage of such a measure. I am,

Truly yours,

ERASTUS WINAN.

FOURTH LETTER—MR. EDGAR TO MR. WIMAN.

Sudden removal of duties injurious to trade—Stocks on hand would depreciate—Drop in revenue would be too great—Reduction in duties must be gradual and after ample notice—Opportunity to work off stocks and find new openings for trade—Draft treaty of 1874 gave three years—New treaty could give unrestricted reciprocity with ample safeguards against injury to business interests.

ERASTUS WIMAN, Esq., New York :

DEAR SIR,—In my two former letters to you I have endeavored to point out the feasibility of an Unlimited Reciprocity between the United States and Canada by the extension of the Free List. I wish now to refer to an objection, which is raised in Canada, against a proposal to place manufactured goods, as well as natural products, upon the free lists of the two countries. It is contended, with much force, that the early, sudden and complete removal of these duties would have a serious effect upon the trade of the country. It is true that stocks in the hands of importers, upon which duties had been paid, would be ruinously depreciated by suddenly throwing open the door to the admission of the same goods, free. The stocks and raw material of manufacturers, upon which duties have been paid, would also depreciate, and much of their plant might be useless until adapted to the new requirements of their business. The striking off so many customs duties at a blow would also reduce the Canadian revenue to an extent that could not be borne by our finances at the moment, for time would be required to re-arrange the public income and expenditure. For all these reasons it must be remembered that extensive remissions of duties upon manufactured goods could not be made suddenly, but only after ample notice; and, even when the reduction begins, it must be gradual. In this way alone would importers have an opportunity to work off their old stocks, and to regulate their new importations to suit the new openings for trade. The dreaded American competitor would not be allowed to come in with a rush, but the Canadians would have the fullest opportunity to readjust their business at every point, both by way of defending their old territory, and in arranging for aggressive operations to be carried on among the sixty millions of new customers to the South. To far-seeing and enterprising Canadians this start would afford all the vantage ground that they would care to demand.

My suggestion is not a novelty. The same difficulties met the framers of the draft treaty of 1874, which placed a large number of manufactured articles on the free list. Although the proposals were

drawn up in June, 1874, it was not suggested that any change whatever should take place in the tariff until the year beginning 1st July, 1875. More than twelve months' notice was, therefore, given. Then, for the year up to the 1st of July, 1876, only one-third of the duties were to be remitted, and from 1st July, 1876, up to 1st July, 1877, the reduction was to be two-thirds of the duties, and only after 1st July, 1877, being three years from the date of the treaty, were the goods to be free.

If the Commission sitting at Washington, seizes the golden opportunity, and, in a spirit of broad statesmanship, deals with a Treaty of Commerce and Amity between the United States and Canada, we must expect that all reasonable safeguards will be provided, so as to make its operation conduce to bring about the greatest good accompanied by the least possible injury to the people of the two countries. It cannot be doubted, then, that the removal of customs duties would be made on ample notice, and by gradual reductions.

It has been the aim of some Canadian writers and speakers to exaggerate the difficulties in the way of accomplishing a system of Unrestricted Reciprocity between Canada and the United States. Without saying that the question is free from difficulties, I do say that they can all be solved by the Commission now in session, and that unless an honest and earnest attempt be made to do so, there will be a fearful responsibility resting upon the members of both sides of that Commission for the disastrous complications which are likely to ensue.

Yours truly,

Toronto, Nov. 28, 1887.

J. D. EDGAR.